

EXAMINATIONS COUNCIL OF ZAMBIA

Examination for School Certificate Ordinary Level

Principles of Accounts

7110/1

Paper 1

Friday

10 NOVEMBER 2017

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Additional Material(s):

Multiple choice answer sheet.

Time 1 hour

Instructions to Candidates

- 1 Write your name, centre number and candidate number on the Answer Sheet in the spaces provided unless this has already been done for you.
- 2 You are required to use a soft pencil (Type B or HB is recommended) and a soft clean eraser.
- 3 There are **forty (40)** questions in this paper. Answer **all** questions. For each question there are four possible answers, **A, B, C** and **D**. Choose the **one** you consider correct and record your choice in **soft pencil** on the separate Answer Sheet.

Read the instructions on the Answer Sheet very carefully.

Information for Candidates

Each correct answer will score one mark. A mark will not be deducted for a wrong answer.

Non-programmable Calculators may be used.

Cell phones are not allowed in the examination room.

- 1** Accounting can be defined as a process of identifying, measuring and communicating ... information to permit informed judgment and decision by users of the information.

 - A** accounting
 - B** confidential
 - C** economic
 - D** transactional
- 2** What is meant by the historical cost principle?

 - A** Each transaction must have a debit and credit of equal value.
 - B** Reported profits are realistic and overstated.
 - C** Similar transactions should be recorded in the same way.
 - D** Transactions are recorded at actual cost.
- 3** Which one of the following is **not** an example of a business transaction?

 - A** Preparing financial reports.
 - B** Borrowing from the bank.
 - C** Sale of goods.
 - D** Purchase of goods.
- 4** Keelo buys goods from Rosa paying for them by cheque. What kind of transaction is this?

 - A** Bank
 - B** Barter
 - C** Cash
 - D** Credit
- 5** Which one of the following is both a book of prime entry and double entry? The ...

 - A** Cash Book.
 - B** Petty Cash Book.
 - C** Purchases Day Book.
 - D** Sales Day Book.
- 6** The Purchases Journal is the book where we record goods ...

 - A** sold on credit to make a profit.
 - B** sold by cheque to make a profit.
 - C** bought on credit and are meant for resale.
 - D** bought by cheque and are meant for resale.
- 7** The double entry rule states that for every ...

 - A** debit entry there must be a corresponding credit entry.
 - B** debit entry there must be a corresponding debit entry.
 - C** credit entry there must be a corresponding credit entry.
 - D** debit and credit balance there, must be a corresponding debit entry.

- 8** Which ones below are the correct classes of accounts?
- A** Fictitious, Personal and Real Accounts
 - B** Nominal, Real and Personal Accounts
 - C** Personal, Fictitious and Nominal Accounts
 - D** Real, Fictitious and Nominal Accounts
- 9** Which one of the following is **not** a Ledger?
- A** General Journal Ledger
 - B** General Ledger
 - C** Accounts Payable Ledger
 - D** Accounts Receivable Ledger
- 10** ○ The Creditors Ledger is the book in which ... are kept.
- A** Suppliers' Accounts
 - B** Real Accounts
 - C** Nominal Accounts
 - D** Customers' Accounts
- 11** Which of the following are reasons for preparing the Trial Balance? To ...
- (i)** prove the arithmetic accuracy.
 - (ii)** show all Ledger balances.
 - (iii)** correct all errors.
 - (iv)** see if the double entry rule has been followed.
 - (v)** prepare the Suspense Account.
- A** (i), (iii) and (v)
 - B** (i), (ii) and (iv)
 - C** (ii), (iii) and (iv)
 - D** (iii), (iv) and (v)
- 12** The following Trial Balance was written by an unqualified Bookkeeper. Prepare the correct one and show the totals:

	Dr (K)	Cr (K)
Sales	8 000	
Drawings	2 000	
Sales Returns		800
Purchases		5 000
Opening Stock	1 000	
Purchases Returns		1 500
Insurance		700
Totals	11 000	8 000

	Dr	Cr
	(K)	(K)
A	9 500	9 500
B	7 300	7 300
C	13 800	13 800
D	4 500	4 500

- 13** The following information is available for Isaac's business:

	(K)
Sales	28 000
Stock 1/1/2015	10 000
Purchases	18 000
Stock 31/12/2015	15 000
Expenses	6 000

Calculate the gross profit.

- A** K 20 000
B K 9 000
C K 15 000
D K 28 000
- 14** Net profit can be defined as ...
A excess of sales over cost of goods sold.
B gross profit less operating expenses.
C sales less purchases.
D cost of goods sold plus opening stock.
- 15** The descending order in which current assets should be shown in the Balance Sheet is ...
A Stock, debtors, bank, cash.
B Cash, bank, debtors, stock.
C Debtors, stock, bank, cash.
D Stock, debtors, cash, bank.
- 16** Bwalya Trading bought a machine on 1 July 2016 by cheque for K4, 000 and is estimated to last 10 years after which it will have a scrap value of K500. What is its Annual Depreciation?
A K2 000
B K 350
C K 200
D K 430

- 17** Depreciation can be defined as the ...
A appreciation of a fixed asset.
B appreciation of a current asset.
C value of a current asset.
D loss of value of a fixed asset.
- 18** An Error of Principle is made if ...
A a transaction has completely been omitted.
B a transaction has been entered in both accounts with the wrong amount.
C an entry has been made in the wrong class of accounts.
D an entry has been made on the wrong side of the two accounts concerned.
- 19** Errors corrected using the Suspense Account ...
A are not exposed by the Trial Balance.
B prevent the Trial Balance from balancing.
C affect the Balance Sheet.
D are omitted in the Ledger.
- 20** Given that the total debit side of the Trial Balance is K18 900 and credit side is K22 000, what will be the opening balance on the Suspense Account?
A K3 100 on the credit side of Suspense Account
B K3 100 on the debit side of Suspense Account
C K3 000 on the debit side of Suspense Account
D K3 000 on the credit side of Suspense Account
- 21** Why is a Bank Reconciliation Statement prepared? To ...
A check the arithmetic accuracy.
B show unpresented cheques lodged with the bank.
C show uncredited cheques lodged with the bank.
D verify the Cash Book balance and the Bank Statement balance.
- 22** Which statement is sent by the bank to its customers to verify the balance at bank at the end of the month?
A Bank Reconciliation Statement
B Bank Statement
C Cash Statement
D Statement of Account
- 23** What is the purpose of the Sales Ledger Control Account? To ...
A calculate the amount owed to suppliers.
B calculate total sales.
C check the accuracy of the Sales Ledger
D make the Trial Balance totals agree.

- 24** The Debtors Ledger Control Account is also known as ...
- A** Sales Ledger Control Account.
 - B** Purchases Ledger Control Account.
 - C** Creditors Ledger Control Account.
 - D** Total Creditors Account.
- 25** Which one of the following items is not entered in the Income and Expenditure Account?
- A** Accumulated fund
 - B** Printing and stationery
 - C** Profit on sale of tickets
 - D** Subscriptions.
- 26** A club has a total membership of 50 and the annual subscription per member is K100. At the end of the year, the club's Cash Book shows that a total of K4 000 was received. How much is transferred to the Income and Expenditure Account?
- A** K 5 000
 - B** K 4 000
 - C** K 1 000
 - D** K 6 000
- 27** What is a Capital Receipt?
- A** Money spent when acquiring fixed assets.
 - B** Funds generated from the sale of fixed assets.
 - C** Funds generated from the sale of revenue expenditure.
 - D** Funds generated from the sale of purchases.
- 28** Which one of the following is a Revenue Expenditure?
- A** A purchase of filing cabinets for the office
 - B** Illegal costs for purchase of property
 - C** Cost of extension to buildings
 - D** A quarterly electricity bill
- 29** Single entry records are mostly kept by all those who ...
- A** do not keep double entry records.
 - B** keep double entry records.
 - C** are sole traders in business.
 - D** are partners in business.
- 30** Which of the following items is used in sales calculation for single entry organizations?
- A** Cash payment to creditors
 - B** Discount Allowed
 - C** Discount Received
 - D** Returns Outwards

- 31** Which one of the following is correct?
- A** Profit does not alter capital.
 - B** Profit reduces capital.
 - C** Capital can only come from profit.
 - D** Profit increases capital.
- 32** In the absence of a partnership agreement, how should capital be contributed?
- A** All partners should contribute equally.
 - B** According to financial resources of the partners.
 - C** All partners should contribute according to sharing ratios.
 - D** Some partners should not be allowed to contribute.
- 33** An Appropriation Account is an account dealing with allocation of ... to partners.
- A** capital
 - B** drawings
 - C** gross profit
 - D** net profit
- 34** In a manufacturing business, royalties on every item manufactured are regarded as ...
- A** direct expenses.
 - B** indirect expenses.
 - C** part of raw materials used.
 - D** factory overhead expenses.
- 35** What do you understand by the term "work-in-progress"?
- A** Value of goods purchased.
 - B** Value of finished goods on hand.
 - C** Sales less cost of goods sold.
 - D** Value of partly finished goods.
- 36** A manufacturing business extracts the following information from its books:

	K
Direct Materials	2 800
Direct Labour	2 200
Indirect Expenses	800

What is the amount of Prime Cost?

- A** K 5 000
- B** K 3 600
- C** K 4 200
- D** K 5 800

- 37** Which of the following words best describes ethics in accountancy?
- (i)** Fraud
 - (ii)** Integrity
 - (iii)** Corruption
 - (iv)** Discipline
 - (v)** Embezzlement
 - (vi)** Honest
- A** (i), (iii) and (v)
B (ii), (iii) and (iv)
C (ii), (iv) and (vi)
D (i), (v) and (vi)
- 38** Which one of the following is a danger of non adherence to ethics in accounting?
- A** Accountability
B Dependence
C Money laundering
D Trust
- 39** The amount a trader adds to their cost price is known as ...
- A** margin.
B mark-up.
C net profit.
D turnover.
- 40** Normally goods and services are sold above cost price, the difference being ...
- A** capital.
B loss.
C profit.
D turnover.